



July 11, 2019

Ex Parte Notice

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

RE: *Connect America Fund, WC Docket No. 10-90*

Dear Ms. Dortch:

This letter is submitted on behalf of NTCA–The Rural Broadband Association (“NTCA”) as a follow-up to a prior meeting with Preston Wise, special counsel to Chairman Ajit Pai, regarding the above-referenced proceeding. *Ex Parte* Letter from Michael R. Romano, Sr. Vice President, NTCA, to Marlene H. Dortch, Secretary, Federal Communications Commission (the “Commission”), WC Docket No. 10-90, *et al.* (filed June 20, 2019), at 3.

One of the topics discussed in that prior meeting was whether and to what degree measures were needed to address concerns that increasing standalone broadband conversions could reintroduce the troubling effects of the universal service fund (“USF”) budget control mechanism soon after the Commission took important and much-welcome steps last year to overcome uncertainty introduced by that mechanism. NTCA reiterates its long-standing support for the ability of consumers to elect services of their choosing on networks that provide quality voice and high-speed broadband, and reaffirms its perspective that no provider should lose prior support in connection with any policy adopted to address this concern. NTCA further notes once again that any action that might be taken to address this issue should be truly “time-limited” in nature and subject to an absolute sunset, reflecting only the temporary budgetary impacts associated with a transition to greater standalone broadband adoption by consumers in the next several years.

Nonetheless, as NTCA observed in the prior meeting, in the absence of some measure to address potential changes and spikes in USF support only during this transitional period, there is risk that the budget control mechanism could be retriggered and once again generate unpredictability in support levels among smaller rural operators. By this letter, NTCA submits analyses depicting, subject to assumptions stated therein (including the Commission’s own assumptions regarding CAF-BLS projections), what such renewed and increased budget controls could look like if standalone broadband conversions were to increase at various paces. In light of these projections and consistent with its prior advocacy, NTCA urges the Commission to consider a transitional measure to mitigate, if not eliminate, such concerns. *See* Comments of NTCA, WC Docket No. 10-90, *et al.* (filed March 8, 2019), at 14- 21.

Marlene H. Dortch

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Thank you for your attention to this correspondence. Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS.

Sincerely,

/s/ Michael R. Romano

Michael R. Romano

Senior Vice President –

Industry Affairs & Business Development

Enclosure

cc: Preston Wise

| Line # | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--------|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Projected Total Demand | | | | | | | | | |
| 1 | HCLS + SVS | \$ 571,839,878 | \$ 543,900,680 | \$ 487,485,403 | \$ 436,540,959 | \$ 394,727,223 | \$ 356,985,258 | \$ 322,915,196 | \$ 292,434,726 | \$ 264,494,288 |
| 2 | CAF BLS | \$ 992,691,976 | \$ 1,081,315,904 | \$ 1,161,094,938 | \$ 1,231,435,398 | \$ 1,300,181,118 | \$ 1,359,997,940 | \$ 1,409,965,864 | \$ 1,450,182,541 | \$ 1,482,597,662 |
| 3 | | | | | | | | | | |
| 4 | Loop Related High Cost Support | \$ 1,564,531,854 | \$ 1,625,216,584 | \$ 1,648,580,341 | \$ 1,667,976,357 | \$ 1,694,908,340 | \$ 1,716,983,198 | \$ 1,732,881,059 | \$ 1,742,617,267 | \$ 1,747,091,950 |
| 5 | | | | | | | | | | |
| 6 | Budget Control | \$ 1,551,802,218 | \$ 1,568,872,159 | \$ 1,603,387,582 | \$ 1,638,662,350 | \$ 1,674,713,167 | \$ 1,711,557,108 | \$ 1,749,211,621 | \$ 1,787,694,539 | \$ 1,827,024,087 |
| 7 | | | | | | | | | | |
| 8 | Amount Over / Under Budget | \$ (12,729,636) | \$ (56,344,425) | \$ (45,192,758) | \$ (29,314,007) | \$ (20,195,173) | \$ (5,426,090) | \$ 16,330,562 | \$ 45,077,272 | \$ 79,932,137 |
| 9 | | | | | | | | | | |
| 10 | Percent Change in Support to Reach Budget | -0.8% | -3.5% | -2.7% | -1.8% | -1.2% | -0.3% | 0.9% | 2.6% | 4.6% |
| 11 | | | | | | | | | | |
| 12 | Projected Amount Over Budget 2019 - 2027 | \$ (27,862,119) | | | | | | | | |
| 13 | | | | | | | | | | |
| 14 | | | | | | | | | | |

- Notes:
- Demand in 2018 is estimated per Appendix D in 2018 USF Order and modified by latest filing of Form 507 data representing lines as of December 2018.

Budget amount for calendar year is calculated as the sum of 1/2 of the budget for the first half and 1/2 of the budget for the second half of each year.

The analysis is prior to the second round of ACAM elections. It reflects only the elections for study areas opting for ACAM or Alaska Plan as of 1/19/2017.

Inflation uses preliminary estimate of 2.2% of the change in GDP CPI to be filed on 10/1/2019.

High Cost Loop Support amount is adjusted annually to reflect decline in loops consistent with assumptions set forth in Appendix D of FCC 12/13/2018 Order.

Safety Valve Support is a fixed amount throughout the entire projection.

CAF-BLS amounts are projected annually to reflect cost and demand growth rates that are consistent with the assumptions set forth in Appendix D.

Results for 2019-2027 include rate of return adjustment in underlying data.

Sandwich Isles is excluded in this analysis.

| Line # | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--------|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Projected Total Demand | | | | | | | | | |
| 1 | HCLS + SVS | \$ 571,625,597 | \$ 542,974,547 | \$ 477,541,113 | \$ 412,685,713 | \$ 352,338,331 | \$ 291,939,268 | \$ 231,905,921 | \$ 174,407,762 | \$ 119,307,164 |
| 2 | CAF BLS | \$ 1,006,839,106 | \$ 1,120,080,434 | \$ 1,233,496,751 | \$ 1,344,610,438 | \$ 1,459,837,380 | \$ 1,567,814,283 | \$ 1,662,637,062 | \$ 1,741,348,783 | \$ 1,798,638,909 |
| 3 | | | | | | | | | | |
| 4 | Loop Related High Cost Support | \$ 1,578,464,703 | \$ 1,663,054,982 | \$ 1,711,037,864 | \$ 1,757,296,152 | \$ 1,812,175,711 | \$ 1,859,753,551 | \$ 1,894,542,983 | \$ 1,915,756,545 | \$ 1,917,946,072 |
| 5 | | | | | | | | | | |
| 6 | Budget Control | \$ 1,551,802,218 | \$ 1,568,872,159 | \$ 1,603,387,582 | \$ 1,638,662,350 | \$ 1,674,713,167 | \$ 1,711,557,108 | \$ 1,749,211,621 | \$ 1,787,694,539 | \$ 1,827,024,087 |
| 7 | | | | | | | | | | |
| 8 | Amount Over / Under Budget | \$ (26,662,484) | \$ (94,182,822) | \$ (107,650,282) | \$ (118,633,802) | \$ (137,462,544) | \$ (148,196,443) | \$ (145,331,362) | \$ (128,062,006) | \$ (90,921,985) |
| 9 | | | | | | | | | | |
| 10 | Percent Change in Support to Reach Budget | -1.7% | -5.7% | -6.3% | -6.8% | -7.6% | -8.0% | -7.7% | -6.7% | -4.7% |
| 11 | | | | | | | | | | |
| 12 | Projected Amount Over Budget 2019 - 2027 | \$ (997,103,730) | | | | | | | | |
| 13 | | | | | | | | | | |
| 14 | | | | | | | | | | |

- Notes:
- 16

Demand in 2018 is estimated per Appendix D in 2018 USF Order and modified by latest filing of Form 507 data representing lines as of December 2018.
- 17

Budget amount for calendar year is calculated as the sum of 1/2 of the budget for the first half and 1/2 of the budget for the second half of each year.
- 18

The analysis is prior to the second round of ACAM elections. It reflects only the elections for study areas opting for ACAM or Alaska Plan as of 1/19/2017.
- 19

Inflation uses preliminary estimate of 2.2% of the change in GDP CPI to be filed on 10/1/2019.
- 20

High Cost Loop Support amount is adjusted annually to reflect decline in loops consistent with assumptions set forth in Appendix D of FCC 12/13/2018 Order.
- 21

Safety Valve Support is a fixed amount throughout the entire projection.
- 22

CAF-BLS amounts are projected annually to reflect cost and demand growth rates that are consistent with the assumptions set forth in Appendix D.
- 23

Results for 2019-2027 include rate of return adjustment in underlying data.
- 24

Sandwich Isles is excluded in this analysis.

| Line # | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--------|---|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Projected Total Demand | | | | | | | | | |
| 1 | HCLS + SVS | \$ 567,573,648 | \$ 532,378,194 | \$ 408,551,329 | \$ 286,564,860 | \$ 172,975,195 | \$ 73,831,881 | \$ - | \$ - | \$ - |
| 2 | CAF BLS | \$ 1,131,443,027 | \$ 1,357,485,476 | \$ 1,575,024,034 | \$ 1,756,295,227 | \$ 1,884,822,220 | \$ 1,886,901,585 | \$ 1,880,573,447 | \$ 1,859,389,062 | \$ 1,836,152,446 |
| 3 | | | | | | | | | | |
| 4 | Loop Related High Cost Support | \$ 1,699,016,676 | \$ 1,889,863,670 | \$ 1,983,575,364 | \$ 2,042,860,087 | \$ 2,057,797,416 | \$ 1,960,733,466 | \$ 1,880,573,447 | \$ 1,859,389,062 | \$ 1,836,152,446 |
| 5 | | | | | | | | | | |
| 6 | Budget Control | \$ 1,551,802,218 | \$ 1,568,872,159 | \$ 1,603,387,582 | \$ 1,638,662,350 | \$ 1,674,713,167 | \$ 1,711,557,108 | \$ 1,749,211,621 | \$ 1,787,694,539 | \$ 1,827,024,087 |
| 7 | | | | | | | | | | |
| 8 | Amount Over / Under Budget | \$ (147,214,457) | \$ (320,991,511) | \$ (380,187,782) | \$ (404,197,738) | \$ (383,084,249) | \$ (249,176,358) | \$ (131,361,826) | \$ (71,694,523) | \$ (9,128,359) |
| 9 | | | | | | | | | | |
| 10 | Percent Change in Support to Reach Budget | -8.7% | -17.0% | -19.2% | -19.8% | -18.6% | -12.7% | -7.0% | -3.9% | -0.5% |
| 11 | | | | | | | | | | |
| 12 | Projected Amount Over Budget 2019 - 2027 | \$ (2,097,036,802) | | | | | | | | |
| 13 | | | | | | | | | | |
| 14 | | | | | | | | | | |

- Notes:
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